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Note: Comments and queries on the contents of this publication are welcomed. They may be directed to

SECRET**ECONOMIC INTELLIGENCE WEEKLY****Notes****Soviets May Bid on Turbines for US Project**

Recent US action opening worldwide competitive bidding on the second group of three 600-megawatt turbines and generators for the Grand Coulee hydroelectric powerplant may lead to a successful Soviet bid on the turbines. Having been turned down in a previous effort to bid on the first three units of this size for Grand Coulee, the USSR may concentrate on submitting the lowest possible bid for the three turbines in order to secure the contract. In worldwide competition for similar hydroturbines for a Canadian powerplant, the successful Soviet bid was 50% below the next lowest bid. [REDACTED]

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Romania Buys US Aircraft

Romania, the first Warsaw Pact country to buy US aircraft, signed a contract last week for three Boeing 707-320C long-range jet airliners, spare parts, and spare engines, valued at \$45 million. The Romanians dropped their request that 50% of the total price be paid by Romanian manufacture of some Boeing parts and settled instead on a straight financing arrangement. This sales breakthrough may lead to other purchases of 707s by Czechoslovakia and Poland, whose national airlines have an increased need for long-range aircraft. [REDACTED]

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Bangladesh Seeks US Wheat

Dacca reportedly will ask for 1 million tons of US wheat on concessionary terms for delivery during the year beginning 1 July 1973. This is in addition to the 200,000 tons already committed by the United States for delivery in 1973. Dacca apparently is trying to complete arrangements early to offset an expected foodgrain deficit in 1973, estimated by the United Nations at 2.5 million tons. Commercial purchases of 1.1 million tons, largely Argentine wheat, have already been arranged, and an additional 200,000 tons - mainly Canadian wheat - has been pledged by other aid donors. (CONFIDENTIAL)

Japan May Buy More US Aircraft

Tokyo is considering buying 15 US military aircraft worth about \$300 million. Although the defense agency prefers the domestic development of

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an early-warning patrol plane, the finance ministry is urging purchase of US E-2Cs, which would cost less and help reduce Japan's huge trade surplus. Deliveries, however, probably would not begin until 1974.

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Santiago Takes Further Steps Against ITT

The Chilean Congress passed a law last week formally sanctioning the government's management of ITT's telephone property, seized in 1971. A constitutional amendment nationalizing all telephone company assets, almost certainly with little or no compensation for ITT's 70% interest, is still pending. The amendment, similar to that used in taking over US copper company holdings, would permit Allende to set up a hand-picked tribunal and avoid review by the independent Supreme Court.

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Pakistan to Take Hard Line with Aid Consortium

Islamabad informed members of the Western Aid Consortium, which includes the United States, that it intends to discontinue payments after June 1973 on debts owed by Bangladesh. The Bangladesh share is estimated at about one-third of Pakistan's total debt to the Consortium members of roughly \$3.5 billion. Pakistan considers its acceptance last year of debt servicing obligations for Bangladesh only a temporary expedient. Pakistan also will insist that the Consortium provide long-term debt relief similar to the settlement accorded to Indonesia in 1970. Indonesia received a 30-year rescheduling of its debts and was permitted to defer some scheduled repayments during the first few years.

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Articles

US Behind in Grain Shipments to the USSR

US exports of wheat and feed grains (including soybeans) to the USSR are considerably behind schedule. Shipments from last July through February have totaled approximately 8 million tons. The remaining tonnage to be shipped during the next four months includes over 5 million tons of wheat, most of which has to be moved by 31 May to qualify for the full CCC export subsidy, and 4 million tons of feed grains.

It is unlikely that deliveries can be accelerated to the required monthly level of more than 2 million tons, which is substantially greater than the record 1.4 million tons shipped in January 1973. Some improvement in the loading rates can be expected after March, when the St. Lawrence Seaway and upper Mississippi will be open and when some Houston elevators currently loading grain for non-Soviet destinations resume full-time loading for the USSR. At the same time, shortages of railway cars will continue to inhibit movements, and some sellers will remain reluctant to use under-utilized ports and elevators because of higher rail freight rates and cargo-handling charges. US sources suggest that shipments during the next four months will fall in the range of 6 million to 8 million tons, considerably short of the total of more than 9 million tons.

The most important factor contributing to the overall lag in deliveries was the inability of the United States and the USSR to come to terms expeditiously on a bilateral maritime agreement. Until a formula was worked out in November 1972, under which the Soviets agreed to pay above-market rates for chartered US ships, these ships were totally excluded from the trade. No Soviet ships were able to load grain in east coast and Gulf ports, and the use of third-flag ships in the trade was limited by stipulations that deliveries be allocated in roughly equal shares among US, Soviet, and third-flag ships. During October and November, the months of greatest uncertainty, shipments averaged only 800,000 tons.

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International Monetary Developments

Representatives of the Group of Ten and the smaller EC countries will meet in Paris on Friday to seek agreement on a common approach to the current monetary crisis. The meeting was called on the recommendation of the EC Finance Ministers after the failure last Sunday to reach agreement on a common community position. Major official foreign exchange markets have remained closed all week, while foreign exchange trading has continued in unofficial interbank dealing.

Although the EC Finance Ministers at their Sunday meeting agreed that proposals for a joint float, pooling of reserves, and EC-wide capital controls form an adequate basis for defining a common position, remaining differences among the major capitals prevented final agreement on a community approach to the crisis. Bonn, the major proponent of a joint EC float, continues to encounter resistance from London and Paris. British Chancellor of the Exchequer Barber has placed stringent preconditions on UK participation in a joint float.

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French Minister of Finance Giscard d'Estaing has also come out against the joint float - fearing French loss of trade competitiveness if the EC currencies as a group appreciates substantially vis-a-vis the dollar - but there are indications that Paris would go along if London repegged.

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If the EC implements a joint float, Tokyo will probably allow the yen to float until the summer. The foreign exchange controls, which have been a major factor accounting for the dollar's surprising strength on a Tokyo exchange market over the last two weeks, would almost certainly be continued, however.

The dollar weakened somewhat in light interbank trading early in the week. Sterling and the Swiss franc weakened significantly, probably because of expectation of lower dollar rates if and when a joint float is realized. The dollar was generally firm Monday against other major European currencies, but was slightly weaker Tuesday.

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Publications of Interest

The Economic Situation in South Vietnam (Monthly Report for February)
(CIA ER IM 73-31, February 1973, [redacted])

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Cease-fire hostilities and an upswing in demand prior to Tet caused commodity shortages and sharp price increases. Nonetheless, by late February most roads were open and prices had passed their peak. Despite the market confusion, the government took measures to reduce import demand so as to conserve foreign exchange. Since the cease-fire, many countries have offered aid to South Vietnam or Indochina as a whole, but few have made specific commitments. Communist forces are building houses and offering land and food to encourage people to settle in areas they control. Saigon apparently has no clear-cut policy on the resettlement of refugees from enemy-held or contested areas.

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North Vietnam: Petroleum Developments in 1972
(CIA ER IM 73-23, February 1973, [redacted])

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North Vietnam imported at least 390,000 tons of petroleum products in 1972, but stock levels on 31 December were at the lowest year-end level in recent years. The petroleum pipeline system, expanded during the year, now enables North Vietnam to import products from China and to distribute them throughout the country and into Laos and South Vietnam. The principal storage terminals were severely damaged by bombing in 1972. Dispersed storage sites also were bombed, but new sites were constructed, and by year-end the total capacity of these sites was down only slightly.